

**Claims:**

Please cancel all of the claims of record and substitute new claims 1 through 12 as follows:

1. A method for defining collateral loss coverage as a mathematical function of the recovery on one or more coverage parts of an insurance policy or group of insurance policies that are written by an insurer:
  - (a) using a contract that enables an exchange of money between two parties, where said insurer is a coverage buyer, whereby simple and cost efficient coverage may be provided for losses that are expensive to define or prove.
2. The contract of claim 13(a) that is structured as one or more provisions in any type of contract.
3. The contract of claim 13(a) where said contract's loss coverage is proportional to the losses recovered under said coverage parts of an insurance policy or group of insurance policies.
4. The contract of claim 13(a) where said contract's loss coverage is nonproportional to the losses recovered under said coverage parts of an insurance policy or group of insurance policies.
5. A method for defining collateral loss coverage as a mathematical function of the recovery on one or more coverage parts of a reinsurance policy or group of reinsurance policies:
  - (a) using a contract that enables an exchange of money between two parties, whereby simple and cost efficient coverage may be provided for losses that are expensive to define or prove.

6. The contract of claim 5(a) that is structured as one or more provisions in any type of contract.
7. The contract of claim 5(a) where said contract's loss coverage is proportional to the losses recovered under said coverage parts of a reinsurance policy or group of reinsurance policies.
8. The contract of claim 5(a) where said contract's loss coverage is nonproportional to the losses recovered under said coverage parts of a reinsurance policy or group of reinsurance policies.
9. A method for predefining acceptable mathematical functions of collateral loss coverage and collateral loss premiums based on the losses paid by and the premiums paid for one or more coverage parts of a reinsurance policy or group of reinsurance policies:
  - (a) using a contract that enables an exchange of money between two,
  - (b) using a means of communicating this information to potential counterparties that may want to enter into said contract,  
whereby simple and cost efficient coverage may be provided for losses that are expensive to define or prove without the need for extensive negotiations..
10. The contract of claim 9(a) that is structured as one or more provisions in any type of contract.
11. The contract of claim 9(a) where said functional relationships are proportional to the premiums charged for and the losses paid by said coverage parts of a reinsurance policy or group of reinsurance policies.

12. The contract of claim 9(a) where said functional relationships are nonproportional to the premiums charged for and the losses paid by said coverage parts of a reinsurance policy or group of reinsurance policies.